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SHELL OIL COMPANY

ANNUAL REPORT FOR 1952

SHELL OIL COMPANY

50 West 50th Street • New York 20, N. Y.

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- H. Bloemgarten
- H. S. M. Burns*
- Cason J. Callaway
- Lewis L. Clarke
- Gayer G. Dominick*
- James H. Doolittle*
- A. J. Galloway
- F. J. Hopwood
- Jerome C. Hunsaker
- P. E. Lakin
- Thomas A. Morgan
- Lewis E. Pierson
- Monroe E. Spaght*
- Forsyth Wickes*

**Member of Executive Committee*

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Irving Trust Company	1 Wall Street, New York 15, N. Y.
The Bank of California National Association	400 California Street, San Francisco 20, Calif.
Continental Illinois National Bank and Trust Company of Chicago	231 South La Salle Street, Chicago 90, Ill.
The Royal Trust Company	238 Water Street, St. John's, Newfoundland

Notice of change of shareholder's address should be sent to one of the above.

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Guaranty Trust Company of New York	140 Broadway, New York 15, N. Y.
The Anglo California National Bank of San Francisco	1 Sansome Street, San Francisco 20, Calif.
Harris Trust and Savings Bank	115 West Monroe Street, Chicago 90, Ill.
Bank of Montreal	240 Water Street, St. John's, Newfoundland

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Board of Directors

H. S. M. Burns
President

M. E. Spaght
Executive Vice President

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	C. E. Davis	*New York, N. Y.*
	J. T. Dickerson	*Midland, Texas*
	J. H. Doolittle	*New York, N. Y.*
	B. Dykstra	*New Orleans, La.*
	A. J. Galloway	*New York, N. Y.*
	D. B. Hodges	*New York, N. Y.*
	J. G. Jordan	*New York, N. Y.*
	P. L. Kartzke	*Calgary, Alta., Can.*
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	N. J. McGaw	*New York, N. Y.*
	E. C. Peet	*New York, N. Y.*
	F. E. Rehm	*San Francisco, Calif.*
	E. H. Walker	*New York, N. Y.*
	J. H. White	*New York, N. Y.*
Treasurer	A. G. Schei	*New York, N. Y.*
Secretary	F. W. Woods	*New York, N. Y.*

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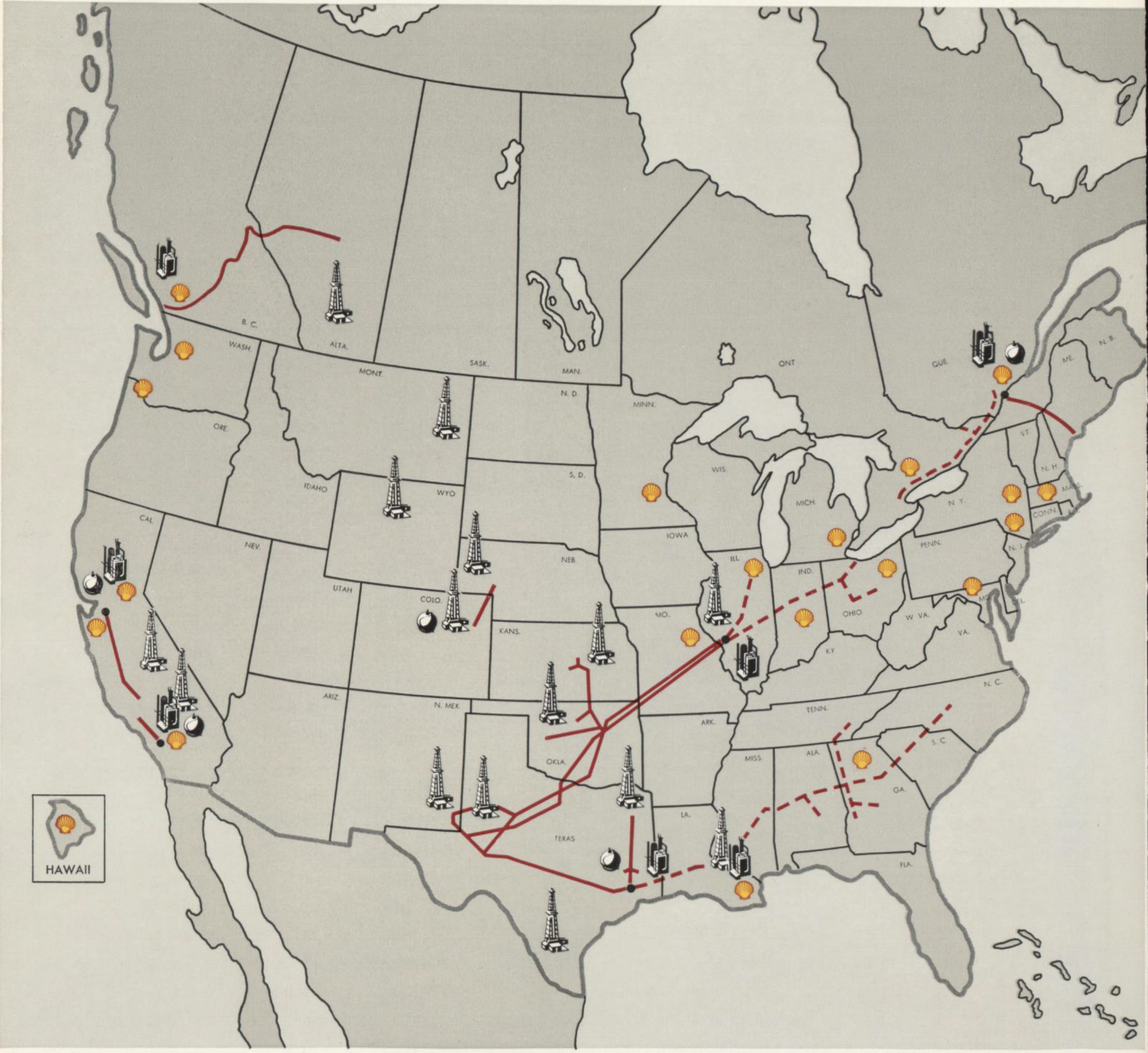
SHELL PIPE LINE CORPORATION

T. E. Swigart
President

Vice Presidents	D. H. Lewis	*Houston, Texas*
	D. F. Sears	*Houston, Texas*
	P. H. Swinchatt	*New York, N. Y.*
Vice President & Treasurer	W. A. Baker	*Houston, Texas*
Secretary	A. E. Groff	*Houston, Texas*

WHERE SHELL OIL COMPANY OPERATES



L E G E N D

PRODUCING AREAS

REFINERIES

CHEMICAL PLANTS

PIPE LINES (including partially owned)

CRUDE OIL

PRODUCTS

MARKETING DIVISION HEADQUARTERS

ANNUAL REPORT FOR 1952

To the Shareholders

March 12, 1953

WE ARE pleased to submit our report on the affairs of Shell Oil Company and its subsidiaries for the year 1952.

The year under review saw the attainment of new high levels in volume of production of crude oil and sales of refined products and in the extent of capital expenditures. These records were achieved in spite of the adverse effects of the widespread strikes in both the oil and steel industries that occurred during the year. It was, however, also a year in which the margin between revenues and costs narrowed still further, thus resulting in a decline in earnings.

Consolidated net earnings after taxes for the year 1952 amounted to $90,873,000, or $6.75 a share on the 13,470,625 shares of stock outstanding at the close of the year. This compares with earnings of $97,020,000 or $7.20 a share in 1951, and represents a reduction of 6%. The dividend rate of $3.00 per share was maintained in 1952, payments as usual being made on a quarterly basis. Total dividends paid amounted to $40,412,000.

Sales of products and other revenues aggregating $1,142,632,000 were 7% above 1951, the first year in which the billion dollar mark was exceeded. Operating charges for 1952, however, rose to $1,008,480,000 or 15% over 1951. The proportionately greater increase in costs is attributable to several factors, the principal ones being the prolonged strike which shut down the refinery and chemical plant at Houston for 75 days, increases in salaries and wages, higher material costs, and the heavy drilling program.

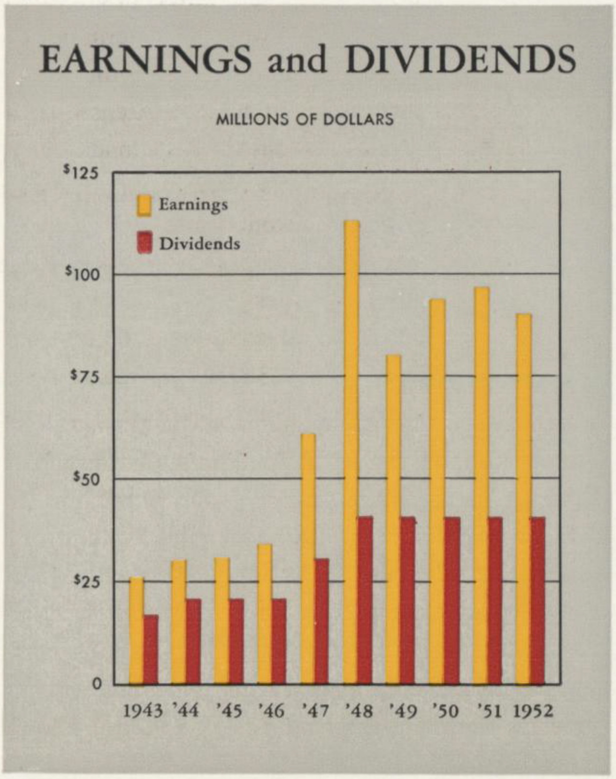
At December 31, 1952, working capital represented by the excess of current assets over current liabilities amounted to $205,854,000, an increase of $2,272,000 during the year. The policy established in 1951 of funding the Company's federal income tax liability was maintained in 1952, and the Statement of Financial Condition outlines the position as between government securities available for general purposes and those set aside for federal income taxes. Total holdings of cash and government securities at December 31, 1952 amounted to $145,601,000, a decrease of $46,573,000 as compared with the figure at the end of 1951. However, the amount available for general purposes, $92,601,000, was greater than at the end of 1951. In this connection it is desirable from time to time to emphasize the great increase in the cost of new construction and rehabilitation that has occurred in recent years. For example, the provisions in 1952 for depreciation, depletion, amortization and other write-offs were $138,562,000 or only 67% of the capital expenditures incurred in the year.

On December 15, 1952, Shell Pipe Line Corporation borrowed $20,000,000 from banks and private investors for which it issued $10,000,000 of 3.20% notes payable 1954 to 1957, inclusive, and

$10,000,000 of 3.30% notes payable 1958 to 1967, inclusive. These funds were needed for capital expenditures, principally the Rancho Pipe Line project.

The total demand in the United States for refined products increased approximately 3% in 1952 as compared with increases of 10% in 1951 and 11% in 1950. The likelihood of this deceleration in the rate of increase in demand was suggested in the last report, and again looking ahead it seems probable, barring any unusual developments, that the rate of increase experienced in 1952 will be typical for the next few years.

Several factors were responsible for the greatly lower rate of increase in demand experienced in 1952. Among these were the steel strike which caused curtailment of production in the automotive and oil burner industries, whose output directly affects consumption of oil products, and the virtual completion of the transfer of railroad motive power to diesels with a resultant tapering off in the rate of growth of consumption of diesel fuel. In addition, during the winter months the Oil Industry is vulnerable to the vagaries of the weather, which for the final quarter of 1952 was generally warmer than in 1951.



It is significant, however, that in spite of the marked decline in rate of increase in demand the Oil Industry continued to expand its refining capacity in an effort to provide a reserve capacity of from one to one-and-a-half million barrels per day in order to be in a position to meet the demand which could arise in the event of a national emergency. Similarly, the Oil Industry has made great efforts to provide a reserve of potential crude oil production to the extent of about one million barrels per day, which also could be readily made available to cope with any abnormal increase in demand. To this end, 45,820 wells were drilled during the year, again in the face of a shortage of essential steel supplies.

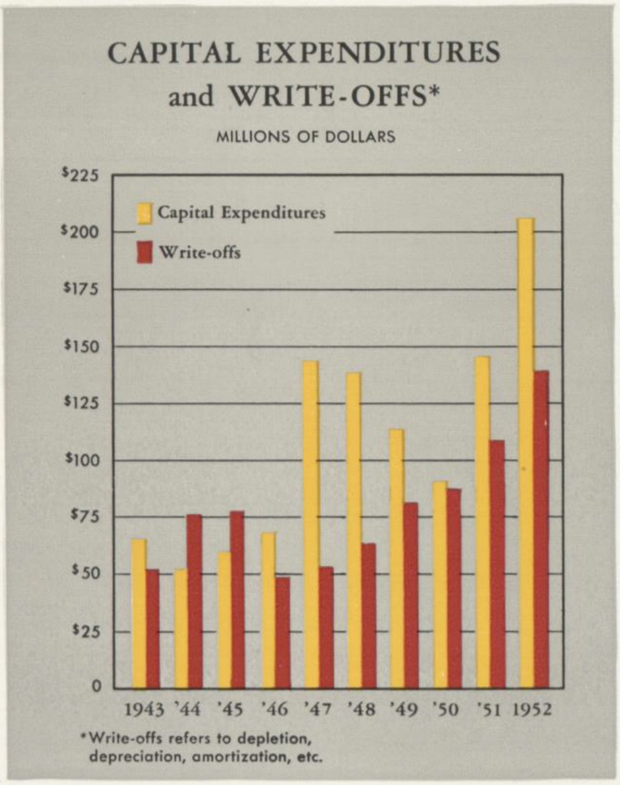
As an indication of the immensity of the dual task of providing substantial reserves both in refining capacity and in crude oil production for emergency needs, it is of interest to compare the demand for petroleum products in 1952 with that of 1946:

	Barrels Per Day		*% Increase*
	1952	*1946*	
Gasoline	3,249,000	2,139,000	52
Kerosene	360,000	268,000	34
Distillate	1,402,000	746,000	88
Residual	1,586,000	1,340,000	18
Other	1,095,000	838,000	31
Total	7,692,000	5,331,000	44

Principally responsible for this growth in demand was the substantial increase during this period in the number of major oil consuming units, as shown by the following:

	End 1952	*Beginning 1946*	*% Increase*
Motor Vehicle Registrations	53,400,000	30,600,000	75
Domestic Oil Burners	6,300,000	2,517,000	150
Tractors on Farms	4,150,000	2,585,000	61
Diesel Locomotives	20,414	3,946	417

This situation has, of course, necessitated very substantial capital expenditures by the Oil Industry.



CAPITAL EXPENDITURES and WRITE-OFFS*

*Write-offs refers to depletion, depreciation, amortization, etc.

In the case of your Company, which has fully played its part in providing both for the immediate needs and possible contingencies, the extent of capital expenditures has been commensurately large. For the year 1952 these were $206,141,000, and for the seven postwar years covered by the foregoing comparisons the total was $906,848,000.

Although the rate of increase in demand for refined petroleum products is leveling off, the volumes entailed are so large that to cope even with the lower rate, and at the same time maintain your Company's position generally in this highly competitive field, will require the continuance of substantial capital expenditures.

There are no important developments to report relative to the anti-trust suit brought by the Department of Justice against your Company and six other oil companies operating in the Pacific Coast Area, which was described in the two previous annual reports. Trial preparations continue, including the gathering of evidence for use in the defense of the action and the answering of numerous burdensome interrogatories propounded by the Government. It does not appear that the matter will be tried during the current year.

EXPLORATION AND PRODUCTION

The activities of your Company in exploring for new oil and gas reserves were continued at a higher rate than in 1951. Exploratory drilling and geophysical field investigation were expanded and holdings of undeveloped acreage were increased in keeping with the competitive situation. One hundred thirteen exploratory wells were drilled, of which thirty-six resulted in discoveries; additional development will be needed to evaluate the reserves uncovered.

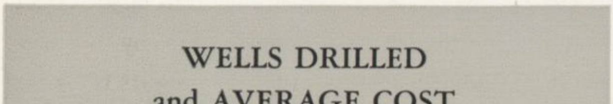
As in 1951, exploration activities during the past year were focused largely on the Williston Basin. Further development has substantiated the potentialities of this basin. Additional production on the Baker Glendive anticline was found at Glendive and at Little Beaver. A successful wildcat well located 12 miles southwest of the original Richey discovery well found two deeper pay zones, and additional drilling is under way to determine the extent of the reserve; on the other hand, the Richey field itself has turned out to be less extensive than first hoped. Substantial additions were made during the year to your Company's already large acreage representation in the Williston Basin.

In the past year your Company's production and development drilling activities reached record levels. Average net crude oil production was 263,000 barrels daily compared with 236,000 barrels daily in 1951. Development wells completed during the year totalled 733, which included 672 oil or gas producers; 61 development wells were abandoned as unsuccessful.

It is noteworthy that this increase in production has been well spread over the Company's operations and has not been concentrated in one or two fields. The following tabulation shows comparative production by your Company's Production Areas for December 1951 and 1952:

	Average Barrels Per Day	
Production Area	*December 1952*	*December 1951*
Houston	38,528	33,178
Midland	50,304	46,513
New Orleans	60,378	51,789
Pacific Coast	94,917	75,354
Tulsa	43,008	43,234
Total	287,135	250,068

In addition to the discoveries mentioned above, there were several extensions and upward revisions of reserves in previously discovered fields. Among the larger and more important of these were additions in the Sheridan, Helen Gohlke, Red Fish Bay, Quitman, Clam Lake, Seeligson, Big Mineral, and Benedum fields in Texas; Main Pass Block 35, South Pass Block 24, Burtville, Gibson, LaPice, Turtle Bayou, Weeks Island and West Hackberry fields in Louisiana; Elk City and Sholem Alechem fields in Oklahoma; Brea Olinda and Ventura fields in California, Denton field in New Mexico, and several of the smaller Denver Basin fields in Colorado.



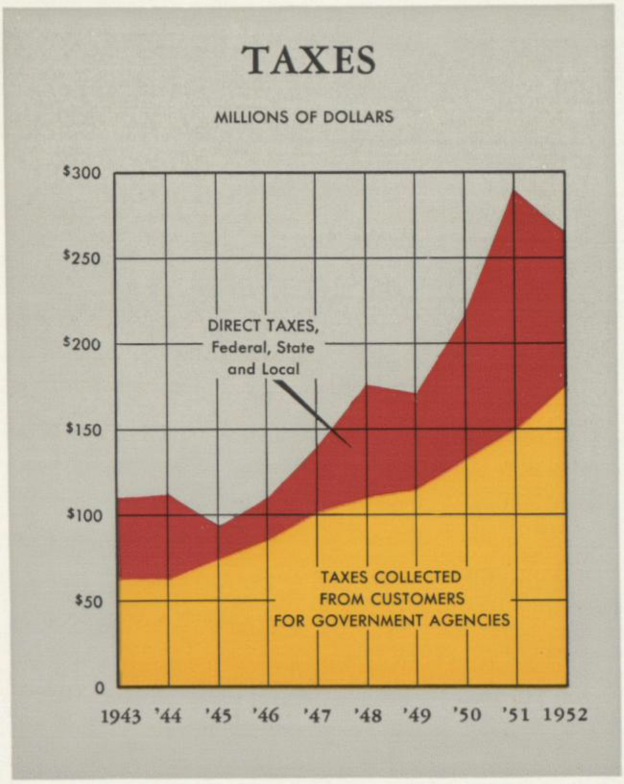
As a result of the new discoveries and extensions and revisions in old fields, your Company's reserve position at the close of the year had increased materially over that of a year ago notwithstanding the record-breaking production for the year of 96,099,000 barrels. The operating, technical, and research staffs continued their diligent efforts to improve production practices and to develop new methods.

During the past several years, production of natural gas and volatile products extracted from natural gas has been increasing steadily. For the year 1952, sales of natural gas materially increased, and there is described in the following paragraphs some of the more recent developments pertaining to this phase of your Company's operations.

The unitization program at Elk City, reviewed in last year's report, is functioning successfully. As a result of outstepping development drilling, the size of the unit operation area has been increased from 4,240 acres to 8,040 acres. From subsurface and production information now available, it appears that the ultimate area of unit operation may be as much as 11,600 acres. The capacity of the natural gas processing plant was increased from 100 to 150 million cubic feet per day.

Another important unit operation is the Sheridan field in South Texas, discovered in 1940, which has been recycled under unit operation since 1945 with your Company acting as operator. Anticipating the end of efficient recycling of one of the major separate reservoirs in this field, and in view of the current improved prices for natural gas, an attractive contract has been made covering the sale of 50 million cubic feet of residue gas daily, deliveries to start during the latter part of 1953.

On January 7, 1953, an explosion occurred at the Sheridan plant which most unfortunately resulted in four fatalities and a fire that severely damaged the process area of the plant. The work of reconstruction is progressing and the plant should be back in full operation by mid-year. The estimate of the damage is $750,000 which, as regards your Company's 72% share, is fully covered by insurance.



Important contracts covering the sale of gas in Texas and Louisiana were renegotiated on an improved price basis, while certain other new contracts were made for the sale of gas produced in the Red Fish Bay field in Texas and the Turtle Bayou field in Louisiana.

A gathering and compressor station has been constructed and placed in operation in the Gohlke field in Texas to conserve and sell the gas produced along with the crude oil. Additions now under way at natural gas and gasoline extraction plants in Louisiana, Texas, New Mexico, Oklahoma and California, will increase plant capacity by approximately 118 million cubic feet per day.

In Canada, your Company's exploration and development program, in partnership with a subsidiary of Shell Caribbean Petroleum Company, was carried on with increased intensity. On acreage acquired at Crown lease sales in 1952, production was obtained during the first weeks of 1953 at Caprona, Alberta, and also at Malmo, Alberta. In the Okotoks field, a gas-condensate field discovered during 1951, three additional wells were completed in the past year. At the end of 1952, there were four "shut-in" gas-condensate producers in this field, having a potential production of 9 million cubic feet of gas per day. The gas from this field has an unusually high sulphur content, and the economics of building a sulphur extraction plant are being investigated. Meanwhile, outstepping development drilling is proceeding for the purpose of determining the extent of this gas-condensate accumulation. Results of the exploration program in general continue to be encouraging.

MANUFACTURING

A 75-day work stoppage caused by the strike at the Houston Refinery prevented your Company from exceeding the all-time record of crude oil processed established in 1951. However, in spite of this the refineries were able to attain a total crude oil throughput of 139,632,000 barrels for 1952, which was only 2% less than the 1951 record.

The expansion program mentioned in the 1951 report is progressing satisfactorily, although the first stages were hindered to some extent by the steel strike and by the shortage of some classes of skilled construction labor. At Wood River Refinery, the new crude oil distilling unit and catalytic cracking and gas recovery facilities are in the late stages of construction, with completion expected in the second quarter of 1953. The balance of the program will not be completed until well into 1954, at which time the refinery will have a crude intake capacity of 170,000 barrels per day.

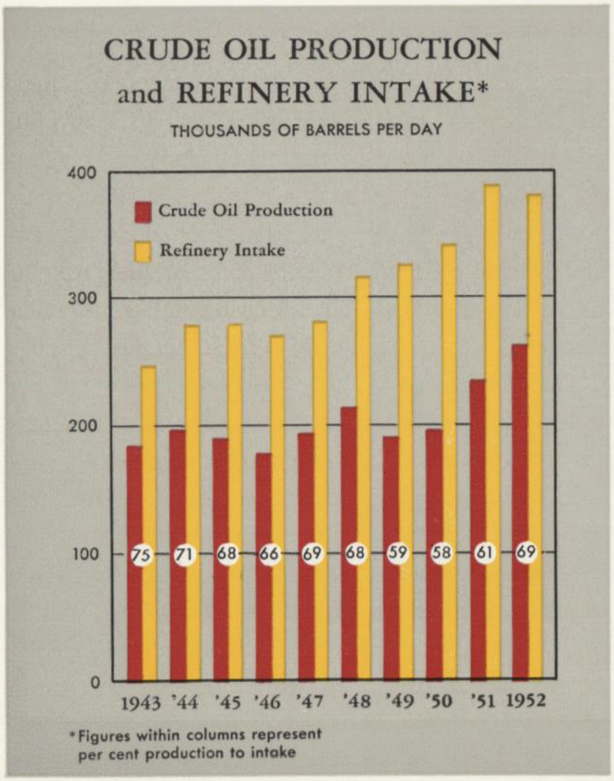
Design for the new facilities at the Norco Refinery has been completed, and detailed engineering and ordering of material are well advanced. With current delivery schedules of major equipment, a completion in late 1954 is indicated. This expansion which includes a crude distillation unit, a catalytic cracking unit with feed preparation and product gas recovery facilities, alkylation and polymerization units, will increase the crude intake capacity of this refinery to 75,000 barrels per day.

The platforming unit at the Houston Refinery, including corresponding feed preparation and product recovery facilities, was placed in operation in January 1953. This new plant will produce substantial quantities of benzene and toluene for use in the manufacture of chemicals and explosives, solvents and aviation gasoline.

In California, the new crude distilling unit at the Wilmington Refinery has progressed through the engineering stage, and ordering of materials has largely been completed. It is expected this unit and its related auxiliaries will be in operation in late 1953. At Martinez Refinery, modifications of existing facilities were completed and resulted in an increase in crude distillation capacity of about 20%.

In order to give better anti-knock performance in the modern high compression automobile engines, the octane quality of both Shell and Shell Premium gasolines was improved during the year.

The quality of Shell X-100 Motor Oil has been further improved by strengthening its antiwear characteristics and by enhancement of its ability to protect the newer more exacting automobile engines.


CRUDE OIL PRODUCTION and REFINERY INTAKE*

THOUSANDS OF BARRELS PER DAY

*Figures within columns represent per cent production to intake

Among the other more promising product developments are new types of metal working fluids which are setting new standards for tool life and surface finish, and a new antiwear turbine oil which greatly increases the life of highly loaded steam turbine gears.

TRANSPORTATION

As a result of continued growth in your Company's sales, it was necessary again to add tankage at certain distribution terminals where substantial freight savings could be realized. A total capacity of 1,400,000 barrels was built during the year, including 900,000 barrels needed to store summer accumulations of heating oils against the peak demands of the winter season.

Completion of the expansion of the Wood River-East Chicago products pipe line system mentioned in last year's report was delayed by the steel strike. However, replacement of the major part of the 250 miles of 8-inch pipe with 14-inch pipe was achieved and this, combined with the construction of the new 14-inch lateral from Peotone Junction, Illinois, to the Argo, Illinois terminal, provided a complete 14-inch line into the Chicago area by December. It is expected that the whole project will be completed by June 1953 at which time capacity will reach 85,000 barrels daily as compared with 38,500 barrels through the old 8-inch line. The program includes facilities to permit "into-line" blending of components, the first such large scale installation in the Industry. It incorporates many features developed by your Company.

The Wolverine Pipe Line Company, in which your Company owns 40% interest, was organized in 1952 for the purpose of building a common carrier products pipe line from East Chicago, Indiana, to Detroit, Michigan, and Toledo, Ohio. The line, approximately 290 miles in length and having a diameter of 16 inches, will have an initial capacity of 95,000 barrels daily with two pump stations and an ultimate capacity of 175,000 barrels daily if and when four additional pump stations are installed. Your Company has undertaken to design, construct, and eventually to operate the line under an operating agency agreement. The major design features have been agreed upon and the acquisition of the line rights-of-way and land for terminals is progressing. Pipe has been allocated with delivery scheduled in the second and third quarters of 1953, and on this basis the line is expected to be completed in January 1954.

During the year the Plantation Pipe Line Company, in which your Company owns approximately 24% interest and through whose system a large part of its southeastern marketing territory is served, completed the addition of five pump stations and increased the capacity of the main line to 221,000 barrels daily.

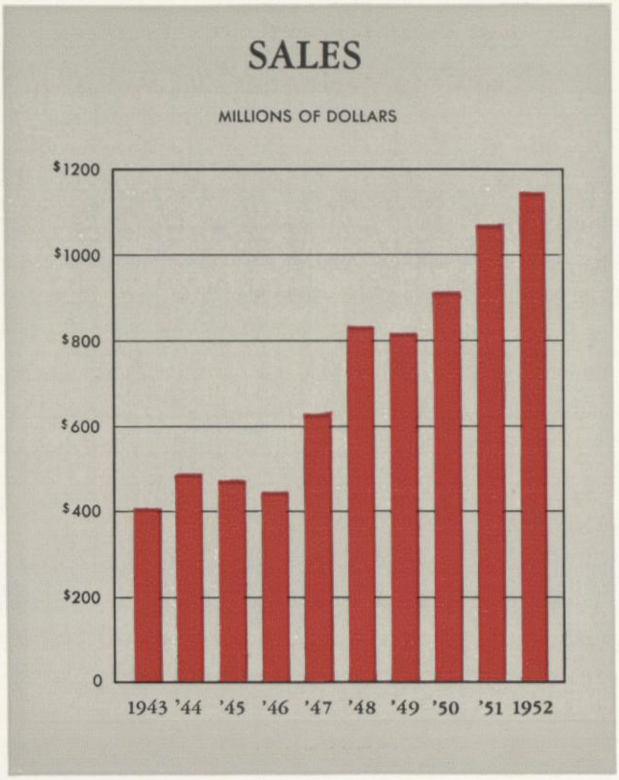
Since 1947, your Company's requirements for transportation on the inland waterways have doubled, while those for ocean tanker transportation have increased 50%. The large express tow mentioned in last year's report has provided a substantial part of the increased transportation required on the inland waterways. To provide further long-term coverage of the growing ocean tanker transportation requirements, a new contract of affreightment, in addition to those mentioned in the last report, was made for transportation requiring the equivalent of one new 18,000 ton tanker for a term of 20 years beginning in 1954.

MARKETING

Market conditions in 1952 were generally affected by strikes in both the oil and steel industries in the second and third quarters of the year. However, the strong competition present in the marketing of oil products at the retail level continued throughout the entire year. Supplies of petroleum products remained generally adequate and wholesale prices continued firm, with the exception of those of heavy fuel oil which were at a lower level than last year, reflecting lessened demand due mainly to the steel strike and to a falling off in steamship bunker consumption.

Sales of gasoline for the year reached record proportions and evidenced the excellent acceptance of your Company's product by the motoring public. In the case of lubricating oils, sales were slightly down but this can be ascribed to the steel strike which adversely affected several industries whose lubricating oil requirements declined during the period of curtailed operations. As a consequence there was also a tendency towards lower prices.

In the case of light fuel oils, the first half of the current winter season, that is the final quarter of 1952, was on the whole warmer than 1951 and consumption was affected accordingly. The heating oil market is naturally particularly sensitive to weather conditions. There is however a steady growth in the number of oil burning installations, so that the market is developing on sound lines. Sales of asphalt continued to show a satisfactory rate of increase and, considering the vast amount of road construction and rehabilitation that is needed to cope with the growth in traffic, the outlook for further increase is very favorable.



Emphasis has continued to be placed on effecting the maximum economies and efficiency in all marketing functions in order to offset the constant rise in cost of operations.

With the substantial increase in business volume in the south, it was decided to split off the western section of the southern marketing area and to establish a new division covering the States of Alabama, Mississippi, Louisiana, Texas, Arkansas, and western Tennessee, with headquarters at New Orleans.

SHELL PIPE LINE CORPORATION

During the period Shell Oil Company's Houston Refinery was inoperative because of the previously mentioned strike, Shell Pipe Line Corporation's trunk pipe lines from West Texas to Houston and from East Texas to Houston were perforce shut down. Apart from this curtailment, the corporation's operations were continued, generally speaking, at capacity.

The progress in construction of the Rancho Pipe Line System, the new large diameter pipe line from West Texas to Houston mentioned in the 1951 report, was delayed by the steel strike by about two months. As a result, this line has only recently been put into operation.

Looking ahead to the completion of the Rancho line, which would provide considerably greater capacity from West Texas to Houston, arrangements were made during the year for the sale, effective with the new line coming into operation, of the old 10-inch crude line from West Texas to the Brookshire Station. The Brookshire to Houston section was retained, as it will be required in connection with the proposed line from the Gohlke field, construction of which was temporarily postponed.

In view of the development of substantial new crude oil production in the Denver Basin in Colorado, arrangements were made during the year for the construction of a new line originating at Merino, Colorado and running north via Sterling to Gurley, Nebraska, where delivery is made to another pipe line. The new line, comprising a 20 mile section of 10-inch pipe from Merino to Sterling and a 55 mile section of 12-inch pipe from Sterling to Gurley, and one pump station, has an initial capacity of 42,000 barrels per day which can be increased by the addition of a further pump station when necessary. Shell Pipe Line has a one-third interest in this line, known as the Sterling Pipe Line System.

SHELL CHEMICAL CORPORATION

Sales of chemical products did not quite reach the record volumes attained in 1951 largely because of product shortages resulting from the extended strike at the Houston Plant, the corporation's largest manufacturing center which was shut down from May 1 to July 15.

Towards the middle of the year some slowing up of sales to major consuming industries was experienced, but in the latter half of the year as conditions improved in the textile and surface coating industries, the demand for chemical products picked up markedly. The forward outlook for demand will be largely governed by the general industrial activity.

In the agricultural chemical field, an important development was the acquisition of a basic producer of insecticidal compounds, with a plant located in Denver, Colorado, which now manufactures products for the Julius Hyman & Company Division of Shell Chemical Corporation. The continued strong demand for nitrogen fertilizers has intensified efforts to speed completion of the corporation's new ammonia plant at Ventura, California, which is scheduled to start operating during the latter half of 1953.

Manufacturing facilities completed during the year included extensions to plants producing solvents, oil additives, and Epon resins. A sulphur recovery unit at the Houston Plant was brought on stream and its output assisted in meeting the shortage of this basic chemical.

Shell Chemical Corporation continued its participation in the government's synthetic rubber program by operation of the government-owned butadiene facilities at Torrance, California.

SHELL DEVELOPMENT COMPANY

The level of research activities reached in 1951 was maintained with little change through 1952, and encouraging progress was made in several fields. Of particular interest from the standpoint of economics was the emergence of definite plans, which will be tested this year on a commercial scale, for processing of heavy residual oils into lighter, more profitable products.

Because of their importance and high cost, catalysts were the subject of continued investigation. Progress was made in improving the useful life of the cracking catalysts which are consumed in large quantities in the manufacture of gasoline. In order to facilitate further investigations, construction was started on two pilot plants; one for producing experimental catalysts on a scale adequate to permit thorough evaluation studies, and the other in which to carry these out. Attention was also given to further development of catalytic reforming as a means of improving gasoline antiknock quality and for the manufacture of aromatic compounds for the chemical industry.

Progress was also made in research in several other channels. New procedures in connection with pipe line transportation of heavy crudes were studied with good results. Greases and metal-working lubricants with improved properties were developed. Further insight was gained into the mechanism of action of lubricating oil additives and the composition and properties of waxes, asphalts, and lubricating oil base stocks. The base stock studies are of particular interest because of the possibility of widening the range of refinable stocks and of further improving the performance characteristics of lubricating oils.

The increasing trend toward automatic measurement and control, as a means for keeping refinery and plant operations at peak efficiency, was reflected in the development, construction and evaluation of a number of highly specialized instruments for the refineries. A computing laboratory to handle some of the more complex mathematical problems encountered in engineering research and design was also established.

SHELL OIL COMPANY OF CANADA, LIMITED

During 1952 the consumption of refined products in Shell of Canada's marketing areas increased about 16 per cent over the previous year. Shell of Canada has been successful in increasing its share of this rapidly expanding market, and consequently sales volume substantially exceeded that for the year 1951. Prices have been stable; however in the latter part of the year there was a general price reduction which resulted from the lower purchase costs of imports due to the increased exchange value of the Canadian dollar.

With demand at an all-time high, both Montreal and Vancouver refineries operated at full capacity during 1952 and increased their production of refined products materially over the previous year. Since the existing capacity of the Vancouver Refinery has become inadequate, preliminary construction has commenced on an expansion program which envisages more than doubling the crude intake capacity to 15,000 barrels per day. The new facilities include a catalytic cracking unit, feed preparation and product recovery system, propylene polymerization, as well as increased tankage and products handling facilities. Completion of the program is scheduled for early 1954, although the first stage, which will permit a substantial increase in crude oil intake, will be ready to coincide with commencement of operations of the line now being built by Trans Mountain Oil Pipe Line Company to transport Alberta crude oils to the Pacific Coast.

At Montreal the new chemical plant for manufacturing isopropyl alcohol and acetone is scheduled to commence production shortly. To keep pace with the rapid expansion of the petro-chemical industry, Shell of Canada established a Chemical Division early in the year. The new division will be responsible for administering the manufacture, distribution and sale of chemical products throughout the Canadian market.

Construction of the 10-inch products pipe line from Montreal to Toronto, owned by the Trans Northern Pipe Line Company, was completed in record time and commenced shipping products late in the year. Shell of Canada has a one-third interest in this company. Pipe line terminals owned and operated by Shell of Canada have been erected along the route and are now in operation.

The Trans Mountain Oil pipe line is now half completed. This 700-mile, 24-inch diameter line will carry crude oil from Edmonton, Alberta to Vancouver, British Columbia, and to the northwestern United States. Initial capacity will be 120,000 barrels per day. Shell of Canada, with other Canadian and American oil companies, has an interest in this project which is scheduled for completion late in 1953.

Development activities were continued at the Jumping Pound gas field in Alberta, bringing the number of producing wells in this field up to seven. Expansion of the Jumping Pound natural gas treating plant, started during 1952, will raise the capacity by 10 million cubic feet, bringing it to a total of about 40 million cubic feet per day, and thereby help to meet the increase in demand for natural gas in Calgary and other southern Alberta communities. Adjacent to the gas plant, the sulphur extraction plant unit is in full operation producing elemental sulphur at the rate of about 22 tons per day. This product is sold to the pulp and paper industry in British Columbia.

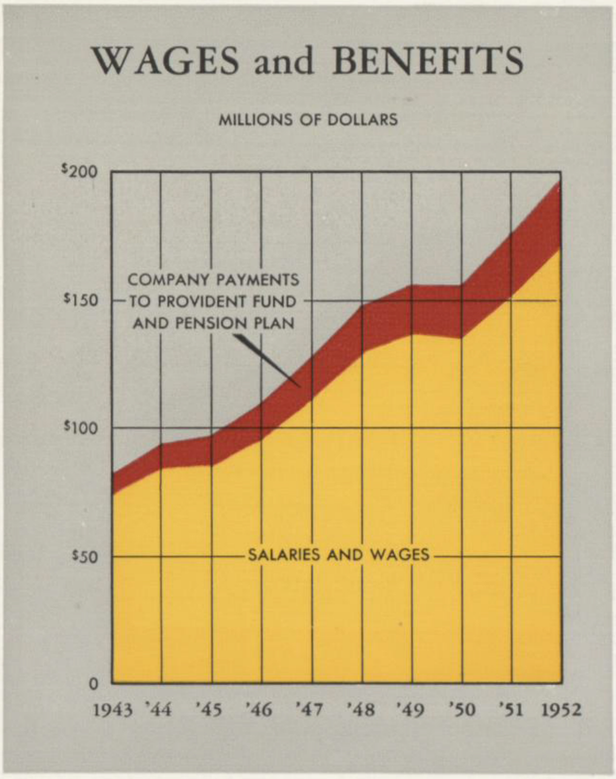
The lake vessels of Shell Canadian Tankers Limited have been fully occupied during the year carrying refined products to the markets around the Great Lakes and the St. Lawrence River. In addition, one vessel has been in continuous service on time charter. Shell of Canada's crude oil requirements for its Montreal Refinery are delivered through the pipe line owned by the Portland and Montreal Pipe Line companies in which Shell has a one-fifth interest. As regards tanker transportation to Portland, Maine, certain time charters of T-2 type tankers will be replaced in the fall of this year by a long term charter of a new modern 28,000 ton vessel.

EMPLOYEE RELATIONS

The doubt expressed in last year's report as to the timeliness of the 4.2 per cent general wage and salary increase offered as of January 1, 1952, appears to have been justified by subsequent events. As mentioned in that report, this increase was required in order to maintain the Company's competitive position in the Industry. However, although the 4.2 per cent figure was the maximum increase then allowable under Wage Stabilization Regulations, it was not possible to effect a settlement at several major operating locations on this basis because of the number of important negotiations pending, not only in the Oil Industry but also in the steel and other industries.

In fact, the Oil Workers International Union (CIO) acting in concert with certain other unions rejected all similar offers made in the Oil Industry and demanded an increase of 25 cents per hour as contrasted to the 9 cents per hour which the 4.2 per cent increase would have averaged. Commencing on April 30, 1952, these unions struck substantial segments of the Oil Industry, principally in the Gulf Coast, Midwest and Great Lakes areas, thus shutting down about one-third of the nation's refining capacity. In the case of your Company the locations involved were limited to the Houston Refinery and Chemical Plant, the East Chicago Terminal and the Detroit marketing area.

On May 14th the Wage Stabilization Board approved a 15 cents per hour increase at one small refinery, and within a relatively short time settlements were effected on a similar basis at most other affected locations including your Company's East Chicago Terminal and Detroit marketing area. However, notwithstanding the Company's willingness to meet the 15 cents per hour pattern, the strike at the Houston Refinery and Chemical Plant was prolonged until July 15th, principally because of the demand of the local union that it participate in


WAGES and BENEFITS

making certain fundamental management decisions, such as the determination of the number of employees needed at these plants.

At the year-end the number of employees on the payroll was 33,583, or 7 per cent more than at the end of the preceeding year. The total amount of wages and salaries paid during the year rose to $170,141,000, or 12 per cent over 1951, largely because of the wage and salary increases granted during the year.

The number of employees with ten or more years of service increased by 600 to 13,500, while the number with twenty-five years or more of service increased by 400 to 2,600. During the year, 338 employees retired on pension bringing the total number of pensioners to 2,326. At the end of the year, 630 employees were on military leave.

DIRECTORATE AND EXECUTIVE

Upon reaching retirement age, Mr. Cyrus S. Gentry, Vice President and General Counsel, retired at the end of the year. Your Directors desire to record their great appreciation for the valuable services rendered by Mr. Gentry and to wish him much happiness in his retirement. He has been succeeded by Mr. William F. Kenney, for many years a member of the Company's Legal Department.

Effective January 1, 1953, the office of Executive Vice President was established, and Mr. M. E. Spaght was appointed to this position. Mr. Spaght was formerly President of Shell Development Company, in which position he has been succeeded by Dr. H. Gershinowitz, previously a Vice President of Shell Oil Company and director of the Exploration and Production Research Laboratory at Houston, Texas.

CONCLUSION

The continued progress of your Company in spite of the handicap created by extraneous circumstances was only possible because of the skill and devotion to duty of the members of the organization. We are very grateful for their efficient and wholehearted services, which reflect an esprit de corps of which we are very proud.

For the Board of Directors,

F. J. HOPWOOD
Chairman

H. S. M. BURNS
President

SHELL OIL COMPANY AN

Statement o

ASSETS

	December 31, 1952	December 31, 1951
CURRENT ASSETS:		
Cash	$ 49,596,384	$ 47,772,401
United States Government short-term securities, at cost, exclusive of amounts applied in reduction of federal tax liability	43,004,810	37,401,118
Receivables, less allowance for doubtful accounts: 1952 — $2,832,000; 1951 — $2,347,000	99,806,908	94,255,125
Owing by affiliated companies	7,164,763	6,467,808
Inventories (Note 2):		
Crude oil, refined and manufactured products	114,007,767	109,299,378
Materials and supplies	35,225,661	22,501,926
TOTAL CURRENT ASSETS	348,806,293	317,697,756
INVESTMENTS (Note 3):		
Investments in and advances to affiliated companies, at cost	29,530,031	28,030,031
Other investments, at cost	3,682,287	3,574,436
TOTAL INVESTMENTS	33,212,318	31,604,467
PROPERTIES, PLANT AND EQUIPMENT, at cost (Note 4)	1,464,891,346	1,308,966,740
Less accumulated depreciation, depletion and amortization	973,144,149	879,353,687
NET PROPERTIES, PLANT AND EQUIPMENT	491,747,197	429,613,053
OTHER ASSETS AND PREPAID EXPENSES:		
Other notes and accounts receivable and sundry deposits	2,856,038	2,476,369
Prepaid insurance, taxes, rentals and other expenses	12,098,618	10,781,972
TOTAL OTHER ASSETS AND PREPAID EXPENSES	14,954,656	13,258,341
TOTALS	$ 888,720,464	$ 792,173,617

UBSIDIARY COMPANIES

inancial Condition

LIABILITIES

	December 31, 1952	December 31, 1951
CURRENT LIABILITIES:		
Accounts payable	$ 99,920,030	$ 84,475,020
Owing to affiliated companies	1,804,427	2,430,209
Serial notes due within one year	2,750,000	1,750,000
Wages, interest and miscellaneous accruals	14,854,414	10,643,282
Estimated federal taxes on income, less U. S. Government securities held for payment of taxes: 1952—$53,000,000; 1951—$107,000,000 (Note 5)	14,960,667	6,777,977
Other taxes	8,662,268	8,039,430
TOTAL CURRENT LIABILITIES	142,951,806	114,115,918
LONG TERM DEBT (Note 6):		
2½% Debentures due 1971	117,307,000	117,307,000
Serial notes due 1954 to 1967	32,000,000	14,750,000
TOTAL LONG TERM DEBT	149,307,000	132,057,000

SHAREHOLDERS' INVESTMENT

	December 31, 1952	December 31, 1951
CAPITAL:		
Common stock of a par value of $15 a share—authorized 20,000,000 shares; issued 13,470,625 shares	202,059,375	202,059,375
Amount in excess of par value	13,957,734	13,957,734
TOTAL CAPITAL	216,017,109	216,017,109
EARNINGS EMPLOYED IN THE BUSINESS (Note 7):		
Balance at beginning of year	329,983,590	273,375,271
Net income for year	90,872,834	97,020,194
	420,856,424	370,395,465
Dividends on common stock—$3.00 a share	40,411,875	40,411,875
Balance at end of year	380,444,549	329,983,590
TOTALS	$888,720,464	$792,173,617

See notes to financial statements, page 17.

SHELL OIL COMPANY AND SUBSIDIARY COMPANIES

Statement of Income

	Year 1952	*Year 1951*
SALES OF PRODUCTS AND OTHER REVENUES	$1,142,631,978	$1,072,433,548
OPERATING CHARGES:		
Costs and expenses (other than those shown below)	748,724,677	661,648,000
Administrative, selling and general expenses	121,193,645	105,979,344
	869,918,322	767,627,344
Depreciation, amortization, retirements and miscellaneous write-offs (Note 1)	56,383,107	52,898,347
Amortization (100%) of intangible development costs	71,498,224	47,330,785
Depletion, amortization and surrenders of oil lands and leases	10,680,620	7,938,701
	138,561,951	108,167,833
TOTAL OPERATING CHARGES	1,008,480,273	875,795,177
INCOME FROM OPERATIONS	134,151,705	196,638,371
OTHER INCOME AND CREDITS	12,995,380	10,682,928
TOTAL INCOME AND CREDITS	147,147,085	207,321,299
INTEREST ON LONG TERM DEBT	3,274,251	3,301,105
INCOME BEFORE FEDERAL INCOME TAXES	143,872,834	204,020,194
ESTIMATED FEDERAL TAXES ON INCOME, including excess profits tax: 1952—$300,000; 1951—$21,500,000 (Note 5)	53,000,000	107,000,000
NET INCOME FOR THE YEAR	$ 90,872,834	$ 97,020,194

See notes to financial statements, page 17.

NOTES TO FINANCIAL STATEMENTS

For the Year 1952

1. **GENERAL:** The consolidated financial statements at December 31, 1952, include the accounts of all wholly-owned subsidiary companies.

As of April 1, 1952, the entire common stock of a company engaged in the chemical business was purchased. In keeping with the accounting policy of the Company the excess of cost of such stock over the book value of the assets attributable thereto amounting to $861,488 has been charged against income and is included in miscellaneous write-offs.

Intercompany sales and profits of subsidiary companies consolidated have been eliminated in the consolidated accounts to the extent considered practicable.

2. **INVENTORIES:** As in prior years, the policy has been followed during the year ended December 31, 1952, of charging monthly to cost of goods sold the highest of inventory carrying value, current cost of production, or purchases. The inventories of crude oil, refined and manufactured products are carried at resulting average cost or market, whichever is lower. Inventories of materials and supplies are carried at average cost or less.

3. **INVESTMENTS:** Investments in and advances to affiliated companies include $25,601,993 in respect of Shell Oil Company of Canada, Limited, a fifty percent owned Canadian affiliate.

4. **PROPERTIES, PLANT AND EQUIPMENT:** A summary of gross book value of properties, plant and equipment; related depreciation, depletion and amortization; and net book value, stated in thousands of dollars, follows:

	December 31, 1952				*Dec. 31, 1951*
	Gross Book Value	*Depreciation, etc.*		*Net Book Value*	*Net Book Value*
		Total	*%*		
Oil lands and leases	$ 149,126	$ 79,171	53	$ 69,955	$ 65,755
Tangible development	208,883	131,136	63	77,747	62,623
Intangible development	340,699	340,699	100	—	—
Total properties for oil production	698,708	551,006	79	147,702	128,378
Pipe lines and other transportation facilities	167,598	74,686	45	92,912	75,973
Oil refineries and chemical plants	413,284	262,767	64	150,517	129,220
Marketing and miscellaneous facilities	148,427	84,685	57	63,742	60,028
	1,428,017	973,144	68	454,873	393,599
Land	36,874	—	—	36,874	36,014
TOTALS	$1,464,891	$973,144	66	$491,747	$429,613

5. **ESTIMATED FEDERAL TAXES ON INCOME:** It is estimated that certain companies will be entitled to refunds of excess profits taxes for 1951 of approximately $3,700,000, resulting from the carry-back of unused excess profits credits. This amount has been recorded in the accounts for 1952 as a reduction of the excess profits tax provision for that year.

6. **LONG TERM DEBT:** At December 31, 1952 consists of the following:

	Due Within One Year	*Due After One Year*
Shell Oil Company		
Twenty-five year 2½% debentures due 1971, after deducting $1,438,000 of debentures held in treasury. Annual sinking fund payments of $1,000,000 are due in 1953 to 1955, inclusive, and $5,000,000 in 1956 to 1970, inclusive. (The debentures held in treasury are available for sale to the sinking fund agent)	$ —	$117,307,000
Shell Pipe Line Corporation		
1.90% notes payable to banks—payable $2,000,000 in each of the years 1953 to 1955, inclusive, and $1,000,000 in 1956	2,000,000	5,000,000
2.125% notes payable to banks—payable $750,000 in each of the years 1953 to 1955, inclusive, $1,750,000 in 1956, and $3,750,000 in 1957	750,000	7,000,000
3.20% notes payable to banks—payable $2,500,000 in each of the years 1954 to 1957, inclusive	—	10,000,000
3.30% notes payable to banks and others—payable $1,000,000 in each of the years 1958 to 1967, inclusive	—	10,000,000
	$2,750,000	$149,307,000

7. **EARNINGS EMPLOYED IN THE BUSINESS:** The balance at December 31, 1952 includes earnings of Shell Pipe Line Corporation, a subsidiary, which to the extent of approximately $10,400,000 are not considered available for dividend distribution by reason of the Consent Decree entered December 23, 1941, in settlement of the Elkins Act Suit.

8. **CONTINGENT LIABILITIES:** Shell Oil Company might be required under certain conditions to make payments under guaranty and other contractual arrangements entered into in connection with pipeline transportation of crude oil and refined products; the contingent liability under such arrangements does not exceed $7,000,000 at December 31, 1952.

Neither Shell Oil Company nor any of its subsidiary companies had any contingent liabilities, claims or guarantees at December 31, 1952, which, in the judgment of the Management, would result in the sustaining of losses which would materially affect their financial positions; nor were there any commitments of material amount under long term lease agreements, except those common to the petroleum industry.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Shell Oil Company:

In our opinion, the accompanying statement of financial condition and related statement of income, together with the notes appended thereto, fairly present the consolidated financial position of Shell Oil Company and subsidiary companies at December 31, 1952, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such financial statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

New York
March 9, 1953

SHELL OIL COMPANY AND SUBSIDIARY COMPANIES

Source and Disposition of Funds

(Expressed in thousands of dollars)

	Total 1948-1952	*1952*	*1951*	*1950*	*1949*	*1948*
SOURCE OF FUNDS						
Income before federal income taxes	$ 756,593	$143,873	$204,020	$145,664	$107,537	$155,499
Depreciation, depletion, amortization, etc. charged against income	476,737	138,562	108,168	86,397	80,857	62,753
Long term debt additions or [retirements]	21,682	17,250	[2,750]	[5,115]	2,875	9,422
Other items (net)	7,395	2,140	[2,648]	[1,071]	2,654	6,320
Total	1,262,407	301,825	306,790	225,875	193,923	233,994
DISPOSITION OF FUNDS						
Capital expenditures:						
Drilling and production	366,143	116,958	95,788	55,566	48,482	49,349
Pipe lines and other transportation facilities	84,824	25,273	11,859	5,601	23,224	18,867
Oil refineries	118,101	37,796	14,580	13,744	22,389	29,592
Chemical plants	43,966	10,725	6,440	1,793	3,075	21,933
Marketing and miscellaneous facilities	81,889	15,389	17,047	13,718	17,278	18,457
	694,923	206,141	145,714	90,422	114,448	138,198
Dividends paid	202,060	40,412	40,412	40,412	40,412	40,412
For funding of federal income taxes	281,000	53,000	107,000	52,000	27,000	42,000
Working capital increase or [decrease] (excluding cash and government securities)	60,360	[5,155]	18,685	1,572	20,626	24,632
Total	1,238,343	294,398	311,811	184,406	202,486	245,242
Increase or [decrease] in cash and government securities available for general purposes	$ 24,064	$ 7,427	$ [5,021]	$ 41,469	$ [8,563]	$ [11,248]
CASH AND GOVERNMENT SECURITIES AT END OF PERIOD						
Available for general purposes		$ 92,601	$ 85,174	$ 90,195	$ 48,726	$ 57,289
For federal income taxes		53,000	107,000	52,000	27,000	42,000
Total		$145,601	$192,174	$142,195	$ 75,726	$ 99,289

SHELL OIL COMPANY AND SUBSIDIARY COMPANIES

Statistics

	1952	*1951*	*1950*	*1949*	*1948*
FINANCIAL					
Sales of products and other revenues:					
Refined products and services	$ 872,107,000	$ 828,836,000	$720,130,000	$650,384,000	$647,199,000
Chemical products	97,763,000	97,522,000	70,474,000	48,081,000	37,723,000
Crude oil	172,762,000	146,076,000	124,725,000	119,471,000	146,299,000
Total	$1,142,632,000	$1,072,434,000	$915,329,000	$817,936,000	$831,221,000
Net income	$ 90,873,000	$ 97,020,000	$ 94,186,000	$ 80,400,000	$113,793,000
Net income per share	$6.75	$7.20	$6.99	$5.97	$8.45
Dividends paid per share	$3.00	$3.00	$3.00	$3.00	$3.00
Direct taxes—federal, state and local	$ 89,730,000	$ 140,885,000	$ 82,849,000	$ 54,197,000	$ 64,882,000
Taxes collected from customers for government agencies	$ 176,568,000	$ 150,230,000	$134,047,000	$116,589,000	$111,950,000
Capital expenditures	$ 206,141,000	$ 145,714,000	$ 90,422,000	$114,448,000	$138,198,000
GENERAL					
Shareholders	17,563	17,743	17,541	17,782	17,460
Dividends paid	$ 40,412,000	$ 40,412,000	$ 40,412,000	$ 40,412,000	$ 40,412,000
Employees	33,583	31,319	30,305	30,332	31,605
Salaries and wages paid	$ 170,141,000	$ 151,637,000	$135,997,000	$136,834,000	$129,855,000
Company payments to provident fund and pension plan	$ 26,375,000	$ 23,539,000	$ 20,369,000	$ 19,698,000	$ 18,036,000
EXPLORATION AND PRODUCTION					
Net crude oil produced (daily average barrels)	263,000	236,000	198,000	192,000	215,000
Net crude oil produced (barrels)	96,099,000	86,221,000	72,216,000	70,095,000	78,550,000
Crude oil purchased (barrels)	113,331,000	116,475,000	105,905,000	102,003,000	99,584,000
Crude oil sold (barrels)	66,086,000	56,226,000	47,942,000	45,918,000	55,481,000
Natural gas produced (million cubic feet)	266,515	229,391	156,116	142,981	128,119
Wells drilled—oil	672	447	310	296	365
Wells drilled—gas	36	34	31	43	22
Wells drilled—dry holes	138	92	52	57	60
PIPE LINES					
Trunk pipe line mileage—crude oil (incl. partly-owned)	4,644	4,686	4,645	4,912	4,236
Trunk pipe line mileage—products (incl. partly-owned)	3,587	3,609	2,965	2,709	2,719
Gathering pipe line mileage—crude oil	1,821	1,775	1,620	1,683	1,618
Crude oil transported (barrels)	174,622,000	173,095,000	152,074,000	137,849,000	138,235,000
Products transported (barrels)	54,962,000	53,955,000	48,785,000	50,060,000	44,251,000
MANUFACTURING					
Crude oil distilling capacity (daily barrels)	429,000	397,000	382,000	367,000	355,700
Crude oil intake (daily average barrels)	382,000	389,000	343,000	327,000	318,000
Crude oil intake (barrels)	139,632,000	142,083,000	125,215,000	119,356,000	116,258,000
Products manufactured from natural gas (barrels)	10,545,000	10,308,000	7,724,000	6,890,000	6,064,000
MARKETING					
Refined products sold (barrels)	169,011,000	160,210,000	146,872,000	131,242,000	124,635,000
Chemical products sold (short tons)	617,000	618,000	580,000	410,000	290,000
Natural gas sold (million cubic feet)	176,613	146,160	121,678	90,431	73,693

PRINCIPAL OFFICES

Executive	Shell Oil Company	*New York, New York*
	Shell Chemical Corporation	*New York, New York*
	Shell Pipe Line Corporation	*Houston, Texas*
	Shell Oil Company of Canada, Ltd.	*Toronto, Ont., Canada**
	Shell Development Company	*New York, New York**

Marketing Division Headquarters — Refined Products & Chemicals

Albany, New York
Atlanta, Georgia
Baltimore, Maryland
Boston, Massachusetts
Chicago, Illinois
Cleveland, Ohio
Detroit, Michigan
Honolulu, Hawaii
Indianapolis, Indiana
Los Angeles, California
Minneapolis, Minnesota
Montreal, Que., Canada
New Orleans, Louisiana
New York, New York
Portland, Oregon
Sacramento, California
St. Louis, Missouri
San Francisco, California
Seattle, Washington
Toronto, Ont., Canada
Vancouver, B. C., Canada

Exploration and Production Area Headquarters

Calgary, Alta., Canada
Houston, Texas
Los Angeles, California
Midland, Texas
New Orleans, Louisiana
Tulsa, Oklahoma

Refineries & Chemical Plants

Denver, Colorado
Dominguez, California
Houston, Texas
Martinez, California
Montreal, Que., Canada
Norco, Louisiana
Shell Point, California
Vancouver, B. C., Canada
Wilmington, California
Wood River, Illinois

Research Laboratories

Denver, Colorado
Emeryville, California
Houston, Texas
Martinez, California
Modesto, California
Wood River, Illinois

* Fifty percent owned affiliated company.